Dick Smith on progress - Transcript

Posted on 5 September 2011

The transcript

Measures of Australia's Progress? Well if you'd asked me two years ago, I would, of course, as a businessman, be talking about Gross Domestic Product. Since the Second World War, GDP has been our religion, especially in business. You have to have growth. And in fact, our present economic system is based on perpetual growth in the use of resources and energy.

What I find fascinating is that if I tried to sell the Treasurer a perpetual motion machine, he wouldn't buy it. But of course the addiction of everyone is towards this perpetual growth. And in studies I've been doing – and by the way, I am a simple car radio installer, not an intellectual – but I've worked out that many learned people for over a hundred years have been talking about changing the way we measure growth, so that it's not just growth in use of resources and energy but it's a growth in quality of life. That's the way I see we have to go.

Already some counties are doing this. Canada and Holland for example, have a general progress indicator: a GPI, rather than a GDP. What I find fascinating is that up until about the Second World War, the productivity gains of capitalism, which were truly incredible (2 or 3 percent per year) were generally used to reduce working hours. If you don't reduce working hours you end up with unemployment. The other thing you can do is use productivity gains to make more stuff – and that's what we've done since the Second World War.

So we're now in this ridiculous position that if you go into a large shopping centre, I would estimate about 50 per cent of the stuff that's for sale is not really necessary. But if we stopped buying it we would create recession and there would be absolute mass unemployment; there would be a complete disaster. So I think we have to plan a new system which is not based on the exponential growth in the use of energy and resources. I see it happening by having laws which I would call sustainability laws. Just as capitalism has coped with laws on environment (environmental controls that people 50 years ago would never believe could exist), I see we could have sustainability laws. So nothing could be marketed, nothing could be sold, unless it's produced sustainability. That means you can't have the type of growth we now have because it's completely unsustainable growth. I think it's estimated that we use something like 1.5 times the resources that we replace each year in the world. So I see it as absolutely possible.

A lot of people say to me 'Dick you need to move to a different system, move away from our free enterprise system based on capitalism and self-interest to a system of idealism or cooperation.' Now that would be great, but I just have the feeling that human beings have evolved by selfishly removing anything which has threatened us – and I don't think that's going to change greatly on its own. But I think we can have this system if we bring in laws – as long as there's an even playing field for capitalism, which is an incredibly versatile system. And you couldn't do it immediately. You'd need to do it over a number of decades.

And you could have a law that says you can only produce, let's say a cell telephone, in a completely sustainable way. That is, where whatever you use to build it has to have been replaced within that year. That would mean that the product will have to be recycled. In this situation, a 2 or 3 per cent efficiency gain and an increased simplicity would come every year. In effect, this would take up the waste, because you're always going to lose a little bit. And these gains would come from the ingeniousness of capitalism.

And I think we'll still have growth. But it will be in things like quality of life. It will be in reduced working hours – because, of course, if we don't make more stuff and we try and keep people working the same hours we'll end up with unemployment and that will be a disaster. So I see that we'll actually have to plan for still getting the same amount of money,

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but using productivity gains to reduce working hours. I think that's feasible. The other thing which we'll have growth in, of course, will be efficiencies.

Now a friend of mine is one of the senior executives at Woolworths, and he said 'Dick you're absolutely right', he said 'the growth we now have is very much population based'. Two years ago population growth was 2.1 per cent, per year. That means, in effect, we double our population every 30 years. Continuing that, we would end up with 120 million at the end of this century – when my little granddaughter will probably be alive – and over 1 billion people here in Australia in 220 years time. Now, nobody I know really thinks that would be a sensible number. Personally, I think we could have 100 million in Australia. To do that we would have to de-salinate every bit of water using every bit of uranium we have to generate nuclear power. And we would have to obviously mine every bit of coal and oil that we have.

But what I often say to people is, what would be the advantage if you had this type of growth? Certainly for wealthy people like me we'd have more customers. We'd make more money. But I have a feeling that, for the general population, it would be like dividing one cake amongst (in this case if we went to 100 million) roughly 5 times as many people. It's interesting that a country like the United States has around about 300 million people. That is 15 times as many people living in roughly the same landmass as Australia. But their gross domestic product per head (per capita), for the first time, is less than ours. I think most people would agree that you get to a sweet point.
So I'd love to see us move, but it will be incredibly fickle because we're so addicted to growth. Now you can understand all commercial organisations pushing growth – the Murdoch press, the Fairfax press – because everyone on senior salaries there – those salaries are based on profit sharing schemes based on growth. You can imagine the pressure that would come from Rupert Murdoch in New York back to Australia: 'Where's the growth, where's the growth? Why haven't you increased circulation, why haven't you increased profits?'. And I don't blame big business. I blame us, the shareholders. Because we're the people who will sell our shares if the company isn't growing. I just noticed today that Qantas have a new plan and, of course, one day these big public companies have got to admit that they're not going to have growth in sales; and that one day, we will stabilise our population.

I often say to some of my pro-growth friends, well when is enough, enough? I mean, "a trillion, trillion people in Australia?" And they look at me and laugh and say "Well that's ridiculous Dick. We've obviously got to stop growing before then." And I say "well hold on, so you're going to put it off for another generation?. Put off this limit to growth which you've now admitted has to happen one day?" So my belief is one day we can have a fantastic system. I'd love to see our population stabilise at about 24-25 million.

Our population might end up dropping back purely by natural means. In Japan the population is predicted to go from 120 million to around about 90 million by the end of this century because Japanese women, despite a twenty thousand dollar baby bonus, are just not having many kids. I'd like to see the same thing happen here. I'd like to see our growth come from growth in efficiencies, removing waste and reducing the wastes in packaging, reducing the incredible waste in advertising, all of those things. And I'd like to see us having a plan for growth in quality of life, for having less working hours. Then, of course, we have to work out what we're going to do with our leisure time – but I'm sure that's possible!

And I see us moving away from Gross Domestic Product, which during the Queensland floods showed an increase. If you have a war, you'll have an increase in GDP. In fact, it was a measure that came out of the Second World War. I'd like to see it move to a measure based on a general progress indicator which takes into account more than just growth in use of resources – that takes into account growth in quality of life, efficiencies, all of those things. And I reckon we can have a fantastic Australia. But it will be an enormous change, because the people who spruik growth all the time will have to be talking not about growth in the use of resources and energy in a perpetual way, but about growth in efficiencies and about saving waste and improving the quality of life. Thanks for listening to me.

The views expressed in this opinion piece are the personal views of the individuals concerned and they do not represent the views of the ABS. The intention of this opinion piece is to generate debate and discussion about how Australians view progress. These views will assist the ABS in measuring progress in the future. The ABS continues to be independent and objective.

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#1 demografix
5/09/2011 4:40:41 PM Dick Smith on progress - Transcript

So Dick, do you understand demographic momentum yet, or do you still think it is just babies and immigrants that raise our real numbers?

Why are you not talking about our peaking emigration?

#2 David May
6/09/2011 2:11:59 PM Dick Smith on progress - Transcript

I agree with Dick Smith, Economists know that a perfect market or free market does not exist yet they insist on pursuing this ridiculous idea of growth growth growth, when maturity is an esential part of the cycle, just as it is in the life cycle. But people believe that they can tweak the economy for some extra performance some extra gain for their area/s of interest and so they do. Common sence does not seem to survive in politics, but can return once it is left behind. Seems the Australia and the World need to grow up. Good article Dick.

#3 Peter Anderson
7/09/2011 12:43:17 PM Dick Smith on progress - Transcript

If it is true that every civilisation grows until it meets its natural match, Australia will be no different. Whether its match is its water resources, food supply, internal cultural or economic conflicts, health, external challenges, or some other factor, one day Australia will find it. A stable Australia with great quality of life for everyone would depend entirely upon whether other nations are aiming towards the same goal. For people who live impoverished countries the dream of 'a better life' and 'greater opportunities' often inspires them to seek out countries like Australia to live in. Yet if their homelands don't change, their success in transforming their lives overseas creates a dream which others will try to follow, and the result is pressure on Australia to keep expanding. Whenever leaders in Australia recognise this, they realise that the best they can do is make as much money out of the growth as they can and direct profits wisely into sustainable systems and global education. That way it is possible that Australia's limits won't be reached too quickly and it will be a good country for longer. Dick Smith claims to be a wealthy man, but wealth can turn to dust overnight in a haphazardly-educated and frequently-mismanaged part of the world.

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